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AD/ORR

6 March 1951

D/S, Trade and Finance Branch [redacted]

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Soviet Military Expenditures for 1950

REFERENCE: RT-120-50, "Soviet Military Expenditures for 1950", dated 30 November 1950

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1. [redacted] ruble estimate of Soviet military expenditures for 1950 correspond closely to the CIA estimate of 189 billion rubles. The difference of 14 billion rubles between [redacted] statement and CIA's estimate might have been brought about by [redacted] over-estimate or CIA's under-estimate of the saving on cost of capital construction and its utilization for military purposes.

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2. However, [redacted] conversion of ruble values into dollar equivalents appears to be radically out of line. This is evident in the USSR national income value in dollars as calculated [redacted] which places Soviet national income for 1950 at about two-thirds that of the US. This estimate can be refuted by the comparison of the various broad economic factors, such as capital investment per worker, available electric power, basic industrial commodities produced, and a level of general efficiency of industrial labor in the USSR and the US.

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3. Trade and Finance Branch unofficially estimates that the purchasing power of the Soviet budgetary ruble for financing military expenditures averages about 10 to 13 rubles per dollar. On that basis, the total Soviet military budget expenditures for 1950 amounted to about \$17 to \$22 billion, or about 28 to 33 percent of the Soviet national income.

4. Trade and Finance Branch's estimate of concealed and hidden items in the 1950 Soviet budget for military purposes are as follows:

Billions of Rubles

New construction for industrial support of the armed forces	16
Materials support provided by various ministries for military	21
From educational and health appropriations, including scientific research	22
Security organizations performing military or para-military functions	17
Strategic stockpiling	<u>14</u>
TOTAL	90

5. State Department's estimate on Soviet military expenditures seems to be unrealistically low, both in terms of rubles and dollar equivalent. The State Department's estimate also is at variance with [redacted] statement at

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the Army Intelligence School in the fall of 1950, that the Soviet Union is spending over 25% of its national income on military preparedness.

6. Attached is a copy of Trade and Finance Branch's memorandum of 26 December 1950 on the "Military Expenditures and National Income of the USSR".

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